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# State Releases Key Health Benefits Exchange Planning Reports

## *Reports Project State-Based Health Benefits Exchange will Dramatically Expand Coverage, Reduce Number of Uninsured*

CHICAGO – September 16, 2011. The Illinois Department of Insurance today released reports commissioned by the State of Illinois to aid in the process of establishing a state-based health insurance exchange (Exchange) in Illinois. Under federal health care reform – the Affordable Care Act (ACA) – health care exchanges are being developed in states across the country to help more Americans access and select health insurance. A health care exchange is competitive health care marketplace intended to provide greater choice, control, and cost predictability for health insurance coverage for consumers and businesses.

“We commissioned these reports to gather the essential data we need to make the Exchange a reality,” said Michael Gelder, the Governor’s Senior Health Policy Advisor. “Federal health care reform under the ACA and the Illinois Exchange will provide much-needed health coverage for more than a million state residents and help Illinois’ small businesses become more competitive. The reforms will also bolster our overall health system – making it more efficient by helping people access the health care they need to avoid expensive emergency room visits for preventable conditions and reducing uncompensated costs for doctors and hospitals.”

In September 2010, the State received a \$1 million grant from the federal government to conduct research, determine the needs of the state and plan for the establishment of a state-based health insurance exchange in Illinois. The State subsequently commissioned two comprehensive studies to examine Illinois’ health coverage marketplace and the impact and costs of establishing a state-based health insurance exchange in Illinois. The two reports together will inform consumer and industry groups, legislative and executive policy decision-makers and other stakeholders as a new health care marketplace in is established in Illinois as required by the federal Affordable Care Act.

According to the reports, an Illinois Exchange is projected to decrease the number of uninsured in Illinois by almost half – from 12 percent of the population to 7 percent. 1.4 million currently uninsured Illinoisans will receive coverage through the Exchange by 2020. The reports highlight the significant role of the Exchange as the sole access point for hard-working individuals, families and small businesses to claim federal tax credits to purchase private health coverage.

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The reports also highlight the complex process that will establish the new insurance marketplace in Illinois, and the necessity of passing enabling legislation to create the exchange by the end of 2011.

"These significant studies underscore how millions of Illinois families and small businesses, who previously had limited or no access to health insurance coverage, will now have unprecedented care options through the Exchange," said DOI Acting Director Jack Messmore. "We are continuing our efforts in establishing an efficient, effective and highly competitive marketplace for health coverage that allows consumers more choices, more accessibility and greater control over healthcare costs."

The first report issued by Deloitte Consulting, LLP – Review of the Current Illinois Health Coverage Marketplace: Background Research ("Background Report") – is a comprehensive assessment of Illinois' current health coverage marketplace, the affordability of private health insurance, and projections for the health coverage marketplace from 2011 to 2020.

The major findings in the *Background Report* are:

- The percentage of State residents without health insurance will decrease from 12 percent in 2011 to 7 percent in 2020, as 1.4 million Illinoisans are expected to be covered through plans purchased on the Exchange.
- Medicaid enrollment as a share of the State population will increase by one percentage point, from 20 percent to 21 percent, between now and 2020. Enrollment is estimated to increase significantly in 2014-15 due to expanded eligibility required under federal law, enhanced outreach by the State to eligible beneficiaries, and increased utilization of coverage by eligible residents. However, overall Medicaid enrollment is expected to decline from 2015 through 2020 due to a projected future economic recovery. Medicaid growth will also be partially offset by an assumed transfer of persons from Medicaid and other State programs to the new Exchange.
- Over the last ten years in Illinois, employer-based health insurance (the dominant source for insurance coverage) has dropped by more than 16 percent.
- The affordability of coverage is the greatest barrier to obtaining health coverage today, and the majority of uninsured individuals in Illinois are low-income. An individual with an income at 200 percent of the Federal Poverty Level (\$21,780) without access to employer insurance today would have to pay 19 percent of income to obtain insurance. For a family, the percentage is even higher.

The second report - Illinois Exchange Strategic and Operational Needs Assessment Report ("Needs Assessment") – is intended to assist the State in identifying the necessary resources and capabilities required to establish and maintain an Exchange. The report was researched and compiled by Health Management Associates (HMA) in consultation with Wakely Consulting and CSG Government Solutions. This report provides background information on the federal law and analyzes the State's needs in setting up an Exchange. The report further addresses mandatory services and functions, projects start-up and operating costs, and provides insight on policy decisions the State will need to make in designing its Exchange. This would include coordinating it with the Illinois insurance market and integrating it with existing Illinois public programs.

The *Needs Assessment* report notes that:

- The Exchange must be operational for an initial enrollment period by October 2013 for plans effective January 1, 2014. States must submit comprehensive plans to establish an Exchange

to the federal government by December 2012, or the federal government will operate the State's Exchange.

- The Exchange's mandatory functions, including developing a policy and financial model that facilitates the transition to an Exchange, will be separated into phases and will include outreach to insurers and other stakeholders regarding consumer protections, online shopping, eligibility determination and other benefits. Cumulative total expense to administer the Exchange beginning in 2014 ranges from 2 to 5 percent of health premiums, decreasing over time, with two-thirds of the cost attributed to IT infrastructure expenses. In 2014, expenses are estimated to be between \$32.1 million to \$46.7 million, or between \$10.47 and \$16.83 on a per-member-per-month (PMPM) basis. In 2015, expenses are estimated to be between \$57.3 million and \$88.6 million, or between \$8.92 and \$13.47 PMPM. Operating costs will decline as enrollment increases.
- Medicaid and Children's Health Insurance Program enrollment will increase by 267,000 newly eligible and 130,000 currently eligible Illinoisans by 2014. At such levels, increased costs to the State would be \$224.5 million dollars in 2014. After identifying savings from reduced eligibility for populations now able to access the Exchange, the report estimates a net increase of \$83 million in 2014; focus on improved business processes through the overhaul of eligibility IT systems and a close monitoring of state agency staffing needs.

"Health Reform will expand the Medicaid program and create new private options for Illinoisans as their income rises above Medicaid levels," said Healthcare and Family Services Director Julie Hamos. "One of our priorities – in addition to implementing this expansion in an effective way – will be to make sure that as people move back and forth between Medicaid and these private options, we maintain continuity of care. Our goal is to improve health outcomes and reduce costs by encouraging providers to do a better job of coordinating care and employing longer term preventive measures."

The federal health care reform law, the Affordable Care Act (ACA), was signed into law by President Obama on March 23, 2010. The insurance reforms of the ACA culminate with the establishment of an Exchange on January 1, 2014. In recognition of the unique market conditions and policy preferences that exist across the nation, Section 1311 of the ACA provides each state with the authority and funding to design its own Exchange/healthcare marketplace.

Short summaries of the reports are attached, and copies of these reports have been posted on the Department of Insurance website, at: <http://www.insurance.illinois.gov/hirc/hie.asp>.

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